

**PUBLIC DISCLOSURE**

JUNE 4, 2001

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BOSTON POST OFFICE EMPLOYEES CREDIT UNION**

175 MCCLELLAN HIGHWAY  
EAST BOSTON, MA 02128

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **BOSTON POST OFFICE EMPLOYEES CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **June 4, 2001**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

**INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"**

The assessment of Boston Post Office Employees Credit Union's (BPOECU) performance takes into account its resources and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

Deposits from the membership are returned to members in the form of consumer installment and residential loans. Loan-to-deposit (share) ratios are at a consistently high level. The distribution of loans to borrowers of different income levels is considered good and is representative of the membership.

The credit union has not received any complaints pertaining to its CRA performance and fair lending policies and practices are satisfactory.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

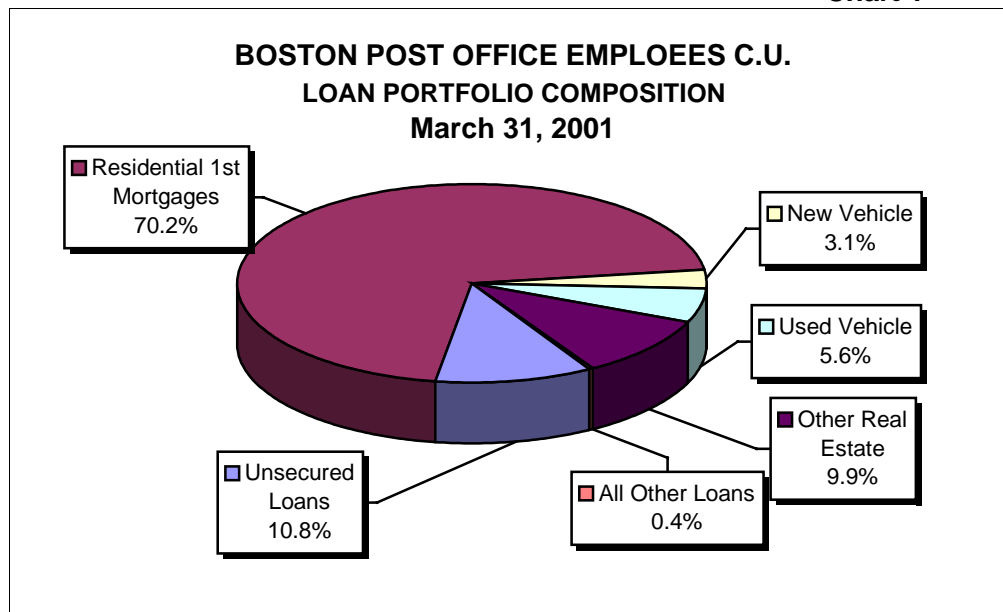
Boston Post Office Employees Credit Union was chartered by the Commonwealth of Massachusetts in 1924. As of March 31, 2001, the institution had total assets of \$126,842,949. In April 2001 the credit union's administrative offices and call center located at the General Mail Facility in Boston were relocated to 175 McClellan Highway in East Boston Massachusetts. The credit union has three full service branch offices located in Boston, Waltham and Lowell. The Boston branch office is located at the General Mail Facility. The Waltham branch is located at the Northwest Processing Facility. On April 24, 2000, BPOECU merged with the Lowell Postal Employees Credit Union. That facility is now a branch office located at 155 Father Morrisette Boulevard in Lowell.

The credit union offers Internet Banking through its Internet Branch CU@ Home and full-service telephone banking through CU-Talk. Automated Teller Machines (ATM) are maintained at each full service office location. In addition, seven other ATM machines are located throughout mail facilities in eastern Massachusetts. They include: Air Mail Center, Harborside Drive, East Boston; Incoming Mail Center, 107 Beacham Street, Chelsea; Malden Post Office, 109 Mountain Avenue, Malden; General Mail Facility-Third Floor 25 Dorchester Avenue, Boston; Central Square Post Office, 770 Massachusetts Avenue, Cambridge; Cape Cod P&D, 25 Tobey Road, West Wareham; and Detached Mail Unit, 137 Phoenix Avenue, Lowell. The ATM networks include NYCE as well as SUM, an alliance of financial institutions that waive surcharge fees. Office hours are convenient and appear to be accessible to all members.

As of March 31, 2001, the credit union's loan portfolio stood at \$102,776,934 or 81.0 percent of the institution's total assets. The largest portion of the loan portfolio by number is comprised of unsecured loans. The largest portion by dollar amount is residential first mortgages, which represent 70.2 percent of the total loan portfolio, followed by unsecured loans with 10.8 percent and other real estate loans, which consists of home improvement and equity lines of credit, with 9.9 percent. Vehicle and other loans make up for the remaining 9.1 percent of the loan portfolio.

Refer to the following chart.

Chart 1



The Division of Banks on March 18, 1998 last examined the credit union for compliance with the Community Reinvestment Act. That examination resulted in a CRA rating of “High Satisfactory”.

### Description of Assessment Area

In accordance with the requirements of 209 CMR, section 46.41, the credit union defines its membership as its assessment area. According to the credit union’s bylaws, membership “...is limited to employees, retirees and their immediate family members of the United States Postal Service; employees, retirees and their immediate family members of the United States Government located in Massachusetts; employees and their immediate family members of the Credit Union itself; organizations of such employees, retirees and their immediate family members...”

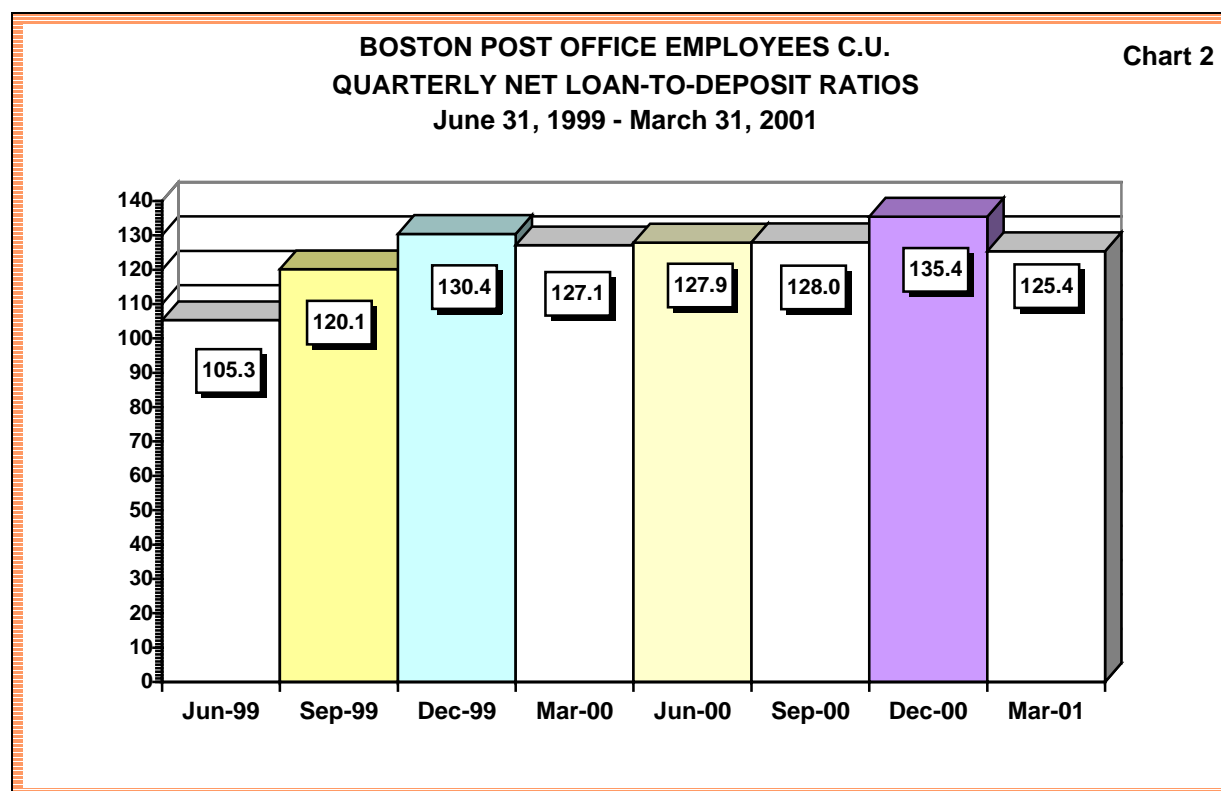
As of March 31, 2001, the credit union’s membership totaled approximately 12,368 out of a potential total of 50,000 individuals. The credit union’s loan data indicates that the most popular types of credit are consumer installment loans. A review of loan data for the first quarter of 2001 indicated that the loan portfolio was comprised of 3,848 unsecured consumer loans.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

The analysis of Boston Post Office Employees Credit Union's average net loan-to-share ratio indicates that the credit union has exceeded the standards for satisfactory performance, given the credit union's asset size, its capacity to lend, and the credit needs of the membership,

The review of BPOECU's net loan-to-deposit (LTD) ratio was performed using NCUA quarterly call report data for the period June 30, 1999, through March 31, 2001. The analysis was conducted to determine the extent of the credit union's lending in comparison to deposits received from its membership. The average net LTD ratio for the period reviewed was 125.0 percent. Chart 2, as illustrated below, indicates that the credit union's ratios have remained consistently above 100 percent for the last eight quarterly time periods.



BPOECU's net loan-to-deposit ratio was compared to that of other industrial credit unions. As of March 31, 2001, Boston Post Office Employees Credit Union had total assets of approximately \$126.8 million and a net LTD ratio of 125.4 percent, a ratio that is considerably higher than any other credit union of similar size or type. The net LTD ratios and the total assets of five other credit unions are reflected in the following table. The institutions used for this analysis are considered to be most similar to BPOECU.

<b>COMPARATIVE NET LOAN TO TOTAL DEPOSIT RATIOS*</b>		
<b>Institutions</b>	<b>Total Assets \$(000)</b>	<b>Net LTD Ratios (%)</b>
Boston Post Office Employees C.U.	126,843	125.4
MBTA Employees C.U.	133,987	90.4
Quincy Municipal C.U.	177,535	75.3
Harvard University Employees C.U.	126,406	68.0
City of Boston C.U.	150,183	64.6
RTN C.U.	252,577	54.2

\* As of March 31, 2001

Clearly the credit union's asset size, in contrast to some of the larger financial institutions of similar type, has not been a deterrent in providing credit to its customers.

Based on the preceding information, the credit union's performance in this area is considered exceptional.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

According to the 209 CMR 46.41, the Massachusetts CRA Regulation, a credit union whose membership is not based on residence, such as Boston Post Office Employees Credit Union, may define its assessment area as its membership. Since Boston Post Office Employees Credit Union has elected to define its assessment area in this manner, no geographic analysis of lending was performed.

## **3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

The distribution of the credit union's lending among borrowers of different income levels exceeds the standards for satisfactory performance.

The credit union's lending was reviewed in two components. Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR) data for calendar years 1998, 1999, 2000 and year-to-date May 23, 2001 as well as a sample of unsecured consumer loans originated during the same time period were analyzed to determine their distribution among borrowers of different income levels. The analysis considered the ratio of the borrowers' income to the median family income level within the Metropolitan Statistical Areas (MSAs) listed below.

<b>MSA</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Boston MSA	\$60,000	\$62,700	\$65,500	\$70,000
Brockton MSA	\$53,700	\$55,700	\$57,700	\$61,300
Fitchburg-Leominster MSA	\$48,200	\$50,700	\$53,100	\$57,200
Lawrence MSA	\$56,700	\$57,900	\$60,800	\$64,100
Lowell MSA	\$59,200	\$61,800	\$64,900	\$70,200
Worcester MSA	\$51,000	\$52,600	\$54,400	\$57,000

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 to 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 and 119 percent of the median family income level. Upper-income is defined as income at or greater than 120 percent of the median family income level.

The following Tables 3a and 3b indicate loans originated and categorized by the applicants' reported income in relation to the median family income for the applicable MSA. BPOECU granted 837 HMDA reportable loans since 1998. Loans extended to borrowers within the upper-income category represented the largest individual proportion with 38.5 percent of the total number and 45.5 percent of total dollar amount. Loans to low-income borrowers represented 2.2 percent of the number and 0.9 percent of the dollar volume. Moderate-income borrowers represented 22.5 percent of the total number and 17.4 percent of the dollar volume.

During this period, loans to moderate-income borrowers indicated some increases in proportion to the number and dollar volume of residential loans originated during the last CRA examination review. Loans among middle-income borrowers remained relatively unchanged in proportion to the number and dollar volume of loans originated. The following tables provide an annual breakdown, based on applicant income level, of residential loans originated among the credit union's membership.

**Table 3a**

<b>RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Number)</b>										
<b>%OF MEDIAN MSA INCOME</b>	<b>1998</b>		<b>1999</b>		<b>2000</b>		<b>2001</b>		<b>Totals</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<50%	4	1.5	8	2.5	6	3.3	0	0.0	18	2.2
50%-79%	57	20.7	82	25.1	40	21.8	9	17.0	188	22.5
80%-119%	97	35.3	120	36.8	69	37.7	16	30.2	302	36.0
120%>	117	42.5	116	35.6	68	37.2	21	39.6	322	38.5
NA	0	0.0	0	0.0	0	0.0	7	13.2	7	0.8
<b>TOTALS</b>	<b>275</b>	<b>100.0</b>	<b>326</b>	<b>100.0</b>	<b>183</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>837</b>	<b>100.0</b>

Source: 1998 through year-to-date May 23, 2001 HMDA data

Table 3b

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Dollar Amount)										
%OF MEDIAN MSA INCOME	1998		1999		2000		2001		Totals	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	147	0.7	280	1.0	179	1.8	0	0.0	606	0.9
50%-79%	3,584	16.3	5,493	19.8	1,633	16.5	218	6.3	10,928	17.4
80%-119%	7,576	34.5	10,431	37.7	3,425	34.7	755	22.0	22,187	35.3
120%>	10,640	48.5	11,472	41.5	4,642	47.0	1,862	54.2	28,616	45.5
NA	0	0.0	0	0.0	0	0.0	600	17.5	600	0.9
TOTALS	21,947	100.0	27,676	100.0	9,879	100.0	3,435	100.0	62,937	100.0

Source: 1998 through year-to-date May 23, 2001 HMDA data

The sample of unsecured personal loans, which represent the largest category of consumer loans, is based on loans originated from 1998 through year-to-date May 30, 2001. The review of the sample of 165 loans indicated that 10.3 percent were made to low-income borrowers and 60.0 percent to moderate-income borrowers. The dollar amount comparisons indicate a similar trend. The dollar volume of personal loans indicated that 11.7 percent was made to low-income borrowers and 59.8 percent to moderate-income borrowers. Refer to the following tables.

Table 3c

PERSONAL UNSECURED LOANS ORIGINATED BY INCOME OF BORROWER (Number)										
%OF MEDIAN MSA INCOME	1998		1999		2000		2001		Totals	
	#	%	#	%	#	%	#	%	#	%
<50%	6	12.0	10	24.4	1	2.0	0	0.0	17	10.3
50%-79%	29	58.0	19	46.3	34	68.0	17	70.8	99	60.0
80%-119%	12	24.0	6	14.6	11	22.0	6	25.0	35	21.3
120%>	2	4.0	2	4.9	2	4.0	1	4.2	7	4.2
NA	1	2.0	4	9.8	2	4.0	0	0.0	7	4.2
TOTALS	50	100.0	41	100.0	50	100.0	24	100.0	165	100.0

Source: Sample of originated personal unsecured loans 1998 through year-to-date May 30, 2001

Table 3d

PERSONAL UNSECURED LOANS ORIGINATED BY INCOME OF BORROWER (Dollar Volume)										
%OF MEDIAN MSA INCOME	1998		1999		2000		2001		Totals	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	14.8	10.8	24.4	30.5	2.0	1.9	0	0.0	41.2	11.7
50%-79%	75.7	55.2	36.4	45.5	76.3	73.3	23.0	71.2	211.4	59.8
80%-119%	32.3	23.6	9.6	12.0	19.3	18.5	8.6	26.6	69.8	19.7
120%>	4.2	3.0	3.1	3.9	4.5	4.3	0.7	2.2	12.5	3.5
NA	10.2	7.4	6.5	8.1	2.0	1.9	0	0.0	18.7	5.3
TOTALS	137.2	100.0	80.0	100.0	104.1	100.0	32.3	100.0	353.6	100.0

Source: Sample of originated personal unsecured loans 1998 through year-to-date May 30, 2001



Based upon the above analysis BPOECU demonstrates a very good distribution of lending among borrowers of different income levels.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

As mentioned previously, 209 CMR 46.41 the Massachusetts CRA regulation allows a credit union whose membership by-laws are not based upon residence to designate its membership as its assessment area. Therefore, since BPOECU has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted, as such an analysis would not be meaningful.

#### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the credit union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

##### ***Review of Complaints***

There was no indication that the credit union received any complaints pertaining to its CRA performance since the previous examination.

##### ***Fair Lending Policies and Practices***

The following information details Boston Post Office Employees Credit Union's fair lending performance as it relates to the guidelines established by the Division of Banks Regulatory Bulletin 2.3-101.

BPOECU's staff attends annual in-house Fair Lending training classes. The credit union employs 27 full-time employees, 5 of which are minorities. There are 4 bi-lingual employees who are fluent in Cantonese, Italian, Spanish and Vietnamese. Mortgage officers are compensated when they visit a member's home or office to assist the member in completing a real estate application. This form of compensation encourages the origination of loans of all loan amounts. In addition, BPOECU's personnel visit postal facilities on a regular basis. Visits are conducted to inform members and potential members of the credit union's products and services.

The credit union offers home equity lines of credit, home improvement loans, automobile loans, first mortgages with no points and unsecured personal loans/credit cards. The credit union distributes credit product information through its direct mailings, newspapers, postal facility visits, Internet web site, and toll free telephone number. BPOECU participated in two homebuyers seminars in February of 1999, which were held in Andover and Needham. The credit union currently refers delinquent members and denied loan applicants to the appropriate credit counseling agencies within the state. To ensure

consistency in underwriting practices, the credit union has also implemented a second review practice, which requires all denied residential mortgage loan applications to be reviewed by another loan officer. Also, a percentage of all consumer loan denials are randomly selected for review on a monthly basis to ensure that members are being treated fairly and that denials are being issued in accordance with the credit union's consumer loan underwriting policy. In addition, the credit union has secured an outside auditing firm to perform various internal audits for the Audit Committee.

## MINORITY APPLICATION FLOW

Demographic data pertaining to BPOECU's membership is not available. The following table is presented for informational purposes. The figures pertaining to residential application flow are based on BPOECU's 1998 through year-to-date HMDA/Loan Application Register (LAR) data. The minority application flow of 5.4 percent for the period indicates a significant increase since the last CRA report of examination, which indicated a minority application flow of 1.2 percent.

Application Flow										
	1998		1999		2000		2001*		Total	
Applicant Race	#	%	#	%	#	%	#	%	#	%
Asian	5	1.5	6	1.5	0	0.0	1	1.3	12	1.1
Black	10	3.1	10	2.4	2	1.1	0	0.0	22	2.1
Hispanic	0	0.0	2	0.5	1	0.4	0	0.0	3	0.3
Native American	1	0.3	2	0.5	0	0.0	0	0.0	3	0.3
Joint Race	1	0.3	7	1.7	6	2.6	1	1.3	15	1.4
Other	1	0.3	0	0.0	1	0.4	0	0.0	2	0.2
<b>Total Minority</b>	<b>18</b>	<b>5.5</b>	<b>27</b>	<b>6.6</b>	<b>10</b>	<b>4.3</b>	<b>2</b>	<b>2.5</b>	<b>57</b>	<b>5.4</b>
White	293	89.6	382	93.2	224	95.7	68	86.1	967	92.1
NA	16	4.9	1	0.2	0	0.0	9	11.4	26	2.5
<b>Totals</b>	<b>327</b>	<b>100.0</b>	<b>410</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>1,050</b>	<b>100.0</b>

Source: HMDA/LAR Data \*Year-to-date 5/23/01

Based upon the preceding information, the credit union's fair lending policies and practices are reasonable.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **BOSTON POST OFFICE EMPLOYEES CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JUNE 4, 2001**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.